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UNCLASSIFIED

Page: 1

Channel: n/a

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PAGE 01 BOGOTA 08737 031351Z
ACTION WHA-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00
	DINT-00	DODE-00	ITCE-00	DOTE-00	SRPP-00	DS-00	EB-00
	EXME-00	E-00	FAAE-00	UTED-00	VC-00	FRB-00	H-01
	TEDE-00	INR-00	ITC-01	L-00	VCE-00	AC-01	NSAE-00
	NSCE-00	OES-01	OIG-03	OMB-01	OPIC-01	PA-00	PM-00
	PRS-00	ACE-00	P-00	SP-00	SSO-00	STR-00	USIE-00
	EPAE-00	PMB-00	DSCC-00	DRL-02	G-00	NFAT-00	SAS-00

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R 031308Z OCT 00
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TO SECSTATE WASHDC 7379
INFO USDOC WASHDC
DEPT OF ENERGY WASHDC
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UNCLASSIFIED

PAGE 02 BOGOTA 08737 031351Z
COMMERCE FOR 4331/IEP/OLA/AND/GAISFORD AND FOR
3134/USFCS/OIO/WH/DLUTTER
ENERGY FOR HENRY SANTIAGO, DAVID PUMPHREY, AND GARY WARD

E.O. 12958: N/A
TAGS: ECÓN, EPET, ENRG, PGOV, EINV, CO
SUBJECT: GOC MAY DODGE OIL-IMPORTATION BULLET

REFS: A) BOGOTA 7867 B) BOGOTA 5749 C) BOGOTA 8276 D) 99
BOGOTA 3445

1. THE RISK OF COLOMBIA BECOMING A NET IMPORTER OF OIL BY

Current Class: UNCLASSIFIED

Page: 1

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J OLSON
DATE/CASE ID: 19 MAY 2004 200303455

UNCLASSIFIED

Current Class: UNCLASSIFIED UNCLASSIFIED
Current Handling: n/a
Document Number: 2000BOGOTA08737

Page: 2

Channel: n/a

2004 (AND SUFFERING THE ACCOMPANYING ECONOMIC TURMOIL (REF A)) DECREASED CONSIDERABLY WITH THE SEPTEMBER 29 NEWS THAT THE STATE OIL COMPANY ("ECOPETROL") HAD SIGNED EIGHT NEW INCREMENTAL PRODUCTION CONTRACTS WITH PRIVATE SECTOR FIRMS. THE CONTRACTS COMMIT THE FIRMS TO EXTRACTING OIL INACCESSIBLE TO ECOPETROL (BECAUSE OF FINANCIAL OR TECHNICAL CONSTRAINTS) IN EXCHANGE FOR A GENEROUS SHARE OF THE ADDITIONAL (OR "INCREMENTAL") PRODUCTION. ALBERTO CALDERON, ECOPETROL'S PRESIDENT, TOLD ECONOFF THAT INCREMENTAL PRODUCTION WILL GENERATE AN ADDITIONAL 100,000 BARRELS/DAY BEFORE 2004 AND REMOVE THE THREAT OF OIL IMPORTATION UNTIL APPROXIMATELY 2007. BY THEN, SOME COMBINATION OF THE CANADIAN/BRAZILIAN-OWNED "GUANDO" DISCOVERY (REF B), U.S.-BASED OCCIDENTAL PETROLEUM'S (OXY) "SAMORE BLOCK" (REF C) AND LONDON-BASED BP/AMOCO'S "NISCOTA BLOCK" (ALONG WITH A DOZEN MORE MODEST PROSPECTS) SHOULD BE PRODUCING SUFFICIENT CRUDE TO ELIMINATE THE RISK OF OIL IMPORTATION OVER THE LONG-TERM, ACCORDING TO JUAN FELIPE GONZALEZ, CHIEF ECONOMIST AT THE COLOMBIAN

UNCLASSIFIED

PAGE 03 BOGOTA 08737 031351Z
PETROLEUM ASSOCIATION.

2. ECOPETROL HAS SIGNED A TOTAL OF 24 CONTRACTS IN 2000 (COMPARED TO A HISTORICAL AVERAGE OF 13 PER YEAR), GONZALEZ NOTED TO ECONOFF. "THIS IS VERY GOOD NEWS FOR ECOPETROL AND FOR THE COUNTRY," HE SAID. THE EIGHT INCREMENTAL PRODUCTION CONTRACTS ANNOUNCED SEPTEMBER 29 (PLUS FIVE EXPLORATION CONTRACTS ALSO UNVEILED THAT DAY) WILL ATTRACT ROUGHLY USD 620 MILLION IN FOREIGN INVESTMENT, CALDERON ASSERTED. ACCORDING TO A BP ANALYST, ECOPETROL'S RECENT SUCCESS (IN SPITE OF WELL-PUBLICIZED ATTACKS AGAINST ENERGY INFRASTRUCTURE) IS DUE TO THE HIGH PRICE OF OIL, THE GOC'S REFORMED HYDROCARBON POLICY (REF C), THE GUANDO DISCOVERY, AND A VOTE OF CONFIDENCE FROM OXY AND BP, BOTH OF WHICH HAVE SIGNED CONTRACTS KEEPING THEM IN COLOMBIA FOR AT LEAST ANOTHER TWENTY YEARS. PRESS REPORTS QUOTE ECOPETROL PRESIDENT ALBERTO CALDERON AS SAYING THAT SEVERAL MORE CONTRACTS COULD BE SIGNED BEFORE YEAR'S END.

3. COMMENTS: THE COMBINATION OF INCREMENTAL PRODUCTION AND PLANNED EXPLORATION LOOKS SUFFICIENT TO ALLOW THE GOC TO DODGE A POTENTIALLY DAMAGING BULLET TO ITS ECONOMY. ECOPETROL'S SUCCESS IS AS MUCH A TESTAMENT TO THE BENEFITS OF REFORM AS IT IS TO THE WILL OF OIL COMPANIES TO OPERATE IN UNSTABLE ENVIRONMENTS IF THE PRICE IS RIGHT.

Current Class: UNCLASSIFIED

Page: 2

UNCLASSIFIED

Current Class: UNCLASSIFIED
Current Handling: n/a
Document Number: 2000BOGOTA08737

Page: 3

Channel: n/a

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UNCLASSIFIED

PAGE 04 BOGOTA 08737 031351Z

UNCLASSIFIED

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Current Class: UNCLASSIFIED

Page: 3

UNCLASSIFIED